

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

House Bill 1222 (Delegate Guns, et al.)  
Environmental Matters

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**Environment - Maryland Oil Disaster Containment, Clean-Up and Contingency Fund, Underground Storage Tank Upgrade and Replacement Fund, and Oil Contaminated Site Environmental Cleanup Fund**

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This bill adjusts the per-barrel fee for oil transferred into the State and sunsets the annual registration fee for underground storage tanks. It specifies how moneys are to be transferred amongst the various oil-related funds. It decreases the deductibles on reimbursements to individuals for site rehabilitation purposes.

Specified sections of this bill are effective June 1, 1996; the rest is effective July 1, 1996.

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**Fiscal Summary**

**State Effect:** Special fund revenue increase of \$109,400 in FY 1997; out-year variances reflect changes in effective fees. Special fund expenditures could increase by an indeterminate amount.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
SF Revenues	\$109,400	\$109,400	\$109,400	\$745,500	\$248,500
SF Expenditures	--	--	--	--	--
Net Effect	\$109,400	\$109,400	\$109,400	\$745,500	\$248,500

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds

**Local Effect:** None.

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**Fiscal Analysis**

**Bill Summary:** This bill increases the per-barrel fee for oil transferred into the State from \$.0075 to \$.01; it implements an additional \$.005 per barrel fee until July 1, 2000. These

fees are credited to the Maryland Oil Disaster Containment, Cleanup and Contingency Fund (oil fund). The bill provides that the cost of attorneys' fees and litigations costs must be reimbursed to the State by the person responsible for the discharge of oil or petroleum products. The annual registration fee for underground storage tanks sunsets on July 1, 1996; until that time, the Maryland Department of the Environment (MDE) may waive the fee under certain circumstances. These fees are deposited in the Underground Storage Tank Upgrade and Replacement Fund (loan fund). Applicants for an underground storage tank (UST) loan must submit completed loan processing forms by June 30, 1998. Those applicants who applied for a loan on or before December 31, 1993 must submit a completed loan processing form by October 1, 1996 or forfeit eligibility; MDE must notify applicants of this requirement by July 1, 1996.

In fiscal 1997, the Secretary must transfer \$3 million from the loan fund to the Oil Contaminated Site Environmental Cleanup Fund (cleanup fund). Another \$3 million must be transferred from the loan fund to the cleanup fund, unless sufficient funds are not available for making loans, in which case the Secretary may retain up to \$3 million in the loan fund until fiscal 1998 to cover this liability. Moneys may be transferred from the loan fund and the oil fund to the cleanup fund under specified circumstances. After January 1, 1999 but before June 30, 1999, any funds remaining in the loan fund must be credited to the oil fund and the cleanup fund. Any future loan repayments on or after January 1, 1999 must be credited to the oil fund. In fiscal 1996, MDE must transfer \$3 million from the loan fund to the cleanup fund and \$1 million to the oil fund.

The bill decreases the deductibles on reimbursements from the cleanup fund for site rehabilitations. MDE may use the cleanup fund for an oil spill that it has assumed control over, so long as the spill meets a set cleanup priority. MDE, in conjunction with various State and public entities, must undertake a comprehensive review of revised funding methods for oil related activities in fiscal 1999. MDE must report its finding and recommendations to various legislative committees by November 1, 1999. MDE must also convene a technical work group with various industry representatives and review pertinent regulations; recommendations must be made by September 1, 1996. MDE must attempt to adopt proposed regulatory changes by October 1, 1996.

**Background:** The Oil Funding Workgroup, which met during the 1995 interim, made a number of recommendations concerning MDE's long term funding strategy for oil-related activities. These recommendations are carried out through this legislation.

The workgroup addressed specific concerns including:

- MDE's use and transfer of oil-related special funds;
- the July 1, 1996 sunset of a 5 cents per barrel additional transfer fee;
- sunsetting the UST registration fee; and
- potential liability for remaining UST loans.

**State Effect:** The bill sunsets the registration fee on Underground Storage Tanks on July 1, 1996; under current law this fee sunsets on December 31, 1998. MDE bills for these fees annually on September 1; fees therefore would not be collected as scheduled in fiscal 1997, 1998, and 1999. MDE collects approximately \$636,100 per year in tank fees.

The bill increases the per-barrel oil transfer fee \$.0025 (from \$.0075 to \$.01); it also provides an additional per-barrel fee of \$.005 until July 1, 2000. Based on the five-year average of oil annually transferred into the State, it is estimated that this fee will apply to 99,401,787 barrels. Exhibit 1 details the yearly fee differences:

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Exhibit 1  
**Fee Revenue Changes Per Year**

Fee Change	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
<b>UST Registration Fee</b>	(\$636,116)	(\$636,116)	(\$636,116)	\$0	\$0
<b>\$.0025 Per Barrel Add</b>	248,504	248,504	248,504	248,504	248,504
<b>\$.005 Per Barrel Fee</b>	497,009	497,009	497,009	497,009	0
<b>Total</b>	<b>\$109,397</b>	<b>\$109,397</b>	<b>\$109,397</b>	<b>\$745,513</b>	<b>\$248,504</b>

Source: Maryland Department of the Environment, Department of Fiscal Services

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Special fund revenues could also increase to the extent that MDE is able to recover costs for attorneys' fees and litigation under this bill. It is assumed that a majority of these fee amounts will be spent on various oil-related activities. In addition, transferring funds from the loan fund to the cleanup fund and oil fund increases the likelihood that these funds would be used on various reimbursement and cleanup projects. Decreasing the deductible limits is also likely to increase the amount of expenditures on reimbursement activities.

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**Information Source(s):** Maryland Department of the Environment, Department of Fiscal Services

**Fiscal Note History:** First Reader - February 22, 1996

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